



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	04/27/99	Bill No:	SB 1084
Tax:	Sales and Use	Author:	Mountjoy
Board Position:		Related Bills:	

BILL SUMMARY:

This bill would transfer all sales and use tax revenues, less refunds, from the sales tax imposed on aircraft jet fuel, as estimated by the State Board of Equalization, with the concurrence of the Department of Finance, into the Aeronautics Account in the State Transportation Fund to reimburse airport land use commissions for the costs of noise avoidance plans.

ANALYSIS:

Current Law:

Under existing law, the disposition of state sales and use tax revenues is governed by Revenue and Taxation Code Section 7102. That section currently provides that sales and use tax revenues be transferred in the following manner:

- 1) To the Transportation Planning and Development Account:
 - a) All revenues, less refunds, using a specified formula. Senate Bill 325 (Ch. 1400, 1971) made possible the imposition of state sales and use tax on sales of gasoline, and also allowed a reduction in the basic state tax rate from 4% to 3 $\frac{3}{4}$ %, without a corresponding loss in revenue. That bill also required that any sales tax collected above the amount that would have been collected if the state tax rate had remained at 4% and gasoline remained exempt from the sales tax, be transferred to the Transportation Planning and Development Account.
 - b) All revenues, less refunds, at the 4 $\frac{3}{4}$ percent rate resulting from increasing after December 31, 1989, the rate of tax imposed pursuant to the Motor Vehicle Fuel License Tax Law on sales of gasoline. The gasoline tax has increased \$0.09 per gallon since December 31, 1989.
 - c) All revenues, less refunds, at the 4 $\frac{3}{4}$ percent rate from the sales and use tax imposed upon diesel fuel, liquefied petroleum gas and natural gas.
- 2) All revenues, less refunds, at the $\frac{1}{2}$ percent rate shall be transferred to the Sales Tax Account of the Local Revenue Fund for allocation to cities and counties (Section 6051.2 and 6201.2).
- 3) All revenues, less refunds, at the $\frac{1}{2}$ percent rate shall be transferred to the Public Safety Account in the Local Public Safety Fund (Section 35 of Article XIII of the California Constitution).
- 4) The balance to the General Fund.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.

Currently, the tax generated from the sale of aircraft jet fuel is allocated to the General Fund.

Proposed Law:

This bill would amend Section 7102 of the Sales and Use Tax Law to provide that sales tax revenue at the 4 $\frac{3}{4}$ percent tax rate generated from sales of aircraft jet fuel, as estimated by the State Board of Equalization, with the concurrence of the Department of Finance, be transferred quarterly to the Aeronautics Account in the State Transportation Fund.

This bill would add Section 21208 and Section 21678.5 to the Public Utilities Code to provide that the sales tax from the sale of aircraft jet fuel transferred to the Aeronautics Account be used for the preparation and revision of noise avoidance plans.

This bill will amend sections of the Clean Air and Transportation Improvement Act of 1990, which requires amendments to the act to be passed by a $\frac{2}{3}$ majority vote of both houses of the Legislature.

Background:

Generally, sales of aircraft jet fuel are subject to the sales tax to the same extent as the sales of any other type of tangible personal property. However, sales of fuel and petroleum products are exempt from the tax when sold to an air common carrier for immediate consumption or shipment in the conduct of its business as an air common carrier on a flight whose final destination is a foreign destination.

Current law calls for airport land use commissions to study airport and community needs and to recommend action to locally elected county boards of supervisors or city councils. Federal law provides some funds for these studies, but these funds tend to go to the larger "hub" airports. The many smaller local airports typically do not receive any of these funds.

COMMENTS:

1. Sponsor and Purpose. According to the author's office, the purpose of this measure is to transfer money generated by airports back to the airports for future planning purposes. The California Aviation Business Association is the sponsor of this bill.
2. This bill would not have a material impact on the Board of Equalization. The proposed law would not levy a new tax nor would it create an exemption from an existing tax. The proposed law would require that a portion of existing sales tax revenue be reallocated from the General Fund to the Aeronautics Account in the State Transportation Fund. The Board of Equalization would be responsible for estimating the amount of funds to be allocated to the Aeronautics Account. The costs involved with preparing these estimates would be fairly minor, and would not have a material impact on operations of the Board of Equalization.

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COST ESTIMATE:

Some costs would be incurred in estimating the tax on aircraft jet fuel for the purpose of allocating the funds. These costs would be absorbable.

REVENUE ESTIMATE:

SB 1084 would transfer to the Aeronautics Account in the State Transportation Fund state sales and use tax revenues at a 4¾-percent rate on the sale of aircraft jet fuel.

Background, Methodology, and Assumptions

According to the United States Energy Information Administration (EIA), consumption of aircraft jet fuel in California for calendar year 1998 amounted to 3,968.6 million gallons. A portion of this gallonage is not subject to the sales and use tax. Jet fuel sold to common carriers for use on international flights is exempt from the sales and use tax. It is estimated that 19.6% of the aircraft jet fuel sold in California is used for international flights. For 1998, that would amount to 777.8 million gallons. Gallons subject to the sales and use tax amounted to 3,190.8 million gallons. EIA reports that the average price for aircraft jet fuel in California during 1998 was \$0.457 per gallon. Total 1998 sales of aircraft jet fuel subject to the sales and use tax are estimated to be \$1,458.2 million.

Revenue Summary

The revenue derived from a 4¾-percent sales and use tax rate on aircraft jet fuel sales is estimated to be \$69.3 million annually.

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